



Department of State

AID REVIEWED 05-May-2011: NO OBJECTION TO DECLASSIFICATION

TELEGRAM

REFER TO DOS

SECRET

O 030039Z APR 74

FM SECSTATE WASHDC

TO AMEMBASSY CAIRO IMMEDIATE 0000

CONTROL: 0663-5 Q

BT

SECRET STATE 066477

Recd : 02 April

9:49 P.M.

NODIS

DOS REVIEWED 19-May-2011: NO OBJECTION TO DECLASSIFICATION

E.O. 11652: GDS

TAGS: EAID, EG

SUBJECT: EGYPTIAN REQUEST FOR ECONOMIC AID

REFERENCE: CAIRO 1591; CAIRO 1728

FOR AMBASSADOR FROM SISCO

1. YOU SHOULD INFORM FAHMY THAT FROM MOMENT OF ITS RECEIPT HERE, HIS REQUEST TO US FOR ASSISTANCE IN AGRICULTURAL AND INDUSTRIAL COMMODITIES, AS WELL AS IN OTHER MATTERS, HAS BEEN GIVEN HIGH-LEVEL AND INTENSIVE CONSIDERATION HERE. POINTS YOU HAVE ALREADY MADE TO FAHMY WERE WELL-TAKEN. WE NEED TO GET IT ACROSS TO FAHMY THAT WHILE WE WANT TO DO EVERYTHING POSSIBLE TO BE RESPONSIVE TO EGYPT'S NEEDS, THIS WILL TAKE TIME.

2. FIRST AND MOST DETERMINING PROBLEM AT MOMENT IS EXTREMELY TIGHT SUPPLY SITUATION THAT CURRENTLY EXISTS WITH RESPECT TO THE AGRICULTURAL COMMODITIES THAT GOE WANTS. WE WANT FAHMY TO UNDERSTAND THAT WHEN WE SAY THIS WE DO NOT MEAN WE ARE APPROVING NEW PROGRAMS FOR OTHER COUNTRIES IN PREFERENCE TO EGYPT: WE MEAN THAT THESE COMMODITIES ARE AVAILABLE FOR CCC AND PL-480 SHIPMENT IN VERY LIMITED QUANTITIES AND OUR AVAILABILITIES THIS YEAR ARE FULLY PROGRAMMED. WHEAT SUPPLY WILL IMPROVE OVER NEXT SEVERAL MONTHS WHEN LATE SPRING/SUMMER CROP BEGINS TO COME IN. CORN IS

AVAILABLE ONLY IN VERY LIMITED QUANTITIES NOW AND WILL REMAIN SO UNTIL FALL CROP COMES IN. COTTONSEED OIL IS UNAVAILABLE AND LIKELY TO REMAIN SO. TOBACCO MAY BE AVAILABLE IN LIMITED QUANTITIES AND WE MAY BE ABLE TO BE OF ASSISTANCE TO GOE IN THIS COMMODITY.

3. SECONDLY, WE WOULD ASK FAHMY TO KEEP IN MIND THAT WHEN COMMODITIES ARE IN SHORT SUPPLY, ANY DIVERSION FROM

NOT TO BE REPRODUCED WITHOUT THE AUTHORIZATION OF THE EXECUTIVE SECRETARY



Department of State

TELEGRAM

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-2- STATE 66477

DOMESTIC SUPPLY FOR SHIPMENT ABROAD EXERTS UPWARD PRESSURE ON PRICE OF THAT COMMODITY WITHIN US AND THUS FLIES IN FACE OF ADMINISTRATION'S NUMBER ONE PRIORITY OBJECTIVE ON DOMESTIC FRONT -- CONTROL OF INFLATION.

4. THIRD, WHILE WE UNDERSTAND MAGNITUDE OF EGYPT'S NEEDS, FAHMY MUST IN TURN UNDERSTAND LIMITATIONS ON US RESOURCES IN RELATION TO WORLD-WIDE NEEDS. IN THIS RESPECT QUANTITIES IN FAHMY'S LIST ARE SIMPLY OUT OF SCALE WITH WHAT WE MIGHT BE ABLE TO MAKE AVAILABLE EVEN UNDER BEST OF CIRCUMSTANCES. TO GIVE EXAMPLE, FAHMY HAS ASKED US FOR ONE MILLION TONS OF WHEAT, WHILE TOTAL GLOBAL PL-480 TITLE I ALLOCATION FOR WHEAT IN FY 1975 IS EXPECTED TO BE NO MORE THAN 1.3 MILLION TONS. FAHMY'S REQUEST FOR 500,000 TONS OF CORN COMPARES TO A CURRENT OVERALL ALLOCATION OF ONE MILLION TONS.

5. FINALLY, AS FAHMY KNOWS, US APPROPRIATIONS ARE BASED ON JULY-JUNE FISCAL YEAR. WE ARE THEREFORE NEARING END OF THIS FISCAL YEAR. MOST OF FUNDS AVAILABLE IN FY 1974 HAVE ALREADY BEEN COMMITTED TO OTHER COUNTRIES. THERE WILL BE MORE FLEXIBILITY IN FY 1975, BUT FOR REMAINDER OF THIS FISCAL YEAR, ANY FUNDS MADE AVAILABLE TO EGYPT MUST COME OUT OF ALLOCATIONS TO OTHER COUNTRIES. THIS OF COURSE POSES PROBLEMS FOR US IN OUR RELATIONS WITH THOSE COUNTRIES.

6. WITH THESE POINTS AS PREFATORY REMARKS, WHICH WE URGE FAHMY TO GIVE SERIOUS ATTENTION TO LEST THERE BE MISUNDERSTANDINGS IN THE FUTURE, YOU MAY TELL FAHMY THAT WE HAVE NEVERTHELESS EXPLORED EVERY POSSIBILITY OF BEING RESPONSIVE. YOU MAY INFORM HIM OF THE FOLLOWING STEPS WHICH WE EITHER HAVE TAKEN OR ARE NOW PREPARED TO TAKE IN RESPONSE TO EGYPT'S REQUESTS.

A) AS FAHMY KNOWS, WE HAVE AGREED TO SWEEP THE MINES FROM THE CANAL AND ITS APPROACHES, AND TO PROVIDE TECHNICAL ASSISTANCE AND TRAINING TO HELP THE GOE DISPOSE OF UNEXPLODED ORDNANCE ON THE CANAL BED AND ITS BANKS. ESTIMATED COST OF THIS ASSISTANCE, WHICH WE HAVE SAID WE WOULD PERFORM FREE OF CHARGE TO GOE, IS \$14 MILLION.

B) WE ARE PREPARED, SUBJECT TO PRIOR APPROVAL OF CONTRACT, TO PAY THE COSTS OF PACIFIC MURPHY'S CONTRACT TO RAISE THE SUNKEN SHIPS AND OTHER OBSTACLES IN THE CANAL THAT THE GOE CANNOT ITSELF REMOVE. COST OF THIS

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-3- STATE 66477
PROJECT IS \$6.725 MILLION. WE WOULD PAY DOWN PAYMENT OF \$1.6 MILLION SPECIFIED IN CONTRACT OUT OF FY 1974 FUNDS. REMAINDER WOULD COME FROM SPECIAL REQUEST WE WILL BE MAKING TO CONGRESS FOR FY 1975.

C) AS RESULT OF GOE CLEARING UP BULK OF ITS ARREARAGES TO CCC UNDER DEBT AGREEMENT, DEPARTMENT OF AGRICULTURE HAS NOW AGREED TO MAKE AVAILABLE \$24.7 MILLION CCC LINE OF CREDIT FOR PURCHASE OF AGRICULTURAL COMMODITIES. PROBLEM IS ONE OF FINDING AVAILABLE COMMODITIES. FOUR MILLION DOLLAR PURCHASE OF CORN HAS ALREADY BEEN APPROVED. ADDITIONAL COMMODITIES ARE NOT AT MOMENT AVAILABLE, BUT CCC HAS BEEN INFORMED THAT EGYPT IS TO BE GIVEN HIGH PRIORITY FOR COMMODITIES TO MAKE UP REMAINDER OF CREDIT AS SOON AS THEY BECOME AVAILABLE. SITUATION WITH RESPECT TO WHEAT HOPEFULLY WILL EASE OVER NEXT SEVERAL MONTHS.

D) WITH RESPECT TO TOBACCO LEAVES, WE ARE URGENTLY LOOKING INTO AVAILABILITY OF THSS COMMODITY AND ARE HOPEFUL WE CAN MEET EGYPT'S REQUEST ON THIS ITEM THROUGH PL-480 LOAN OUT OF FY 1974 FUNDS. THIS WOULD BE ON FAVORABLE LONG-TERM, LOW INTEREST, DOLLAR REPAYABLE TERMS.

E) WITH RESPECT TO INDUSTRIAL COMMODITIES REQUESTED BY FAHMY, THESE DO NOT FALL UNDER PUBLIC LAW 480 AND THEREFORE ANY FUNDS FOR ASSISTANCE TO EGYPT IN THIS CATEGORY WOULD HAVE TO BE REQUESTED FROM CONGRESS FOR FY 1975. WE CANNOT, OF COURSE, PREDICT WHAT SUM OF MONEY CONGRESS MAY MAKE AVAILABLE FOR THIS PURPOSE. WE UNDERSTAND IBRD IS EXAMINING EGYPT'S RECONSTRUCTION DEVELOPMENT NEEDS AND WE ARE PREPARED IN PRINCIPLE TO COOPERATE IN AN IBRD PROGRAM TO SUPPORT FUTURE EGYPTIAN COMMODITY PURCHASES. WE UNDERSTAND THE GOE IS CURRENTLY DISCUSSING THIS WITH THE WORLD BANK, AND WE AWAIT THE BANK'S REPORT AND RECOMMENDATIONS. YOU MAY WISH TO POINT OUT THE SUBSTANTIAL RESOURCES THE US PROVIDES IBRD/IDA WHICH MAKES THOSE PROGRAMS POSSIBLE.

F) WE ALSO WANT FAHMY TO BE BROADLY AWARE OF OUR LONGER-RANGE PLANS FOR ASSISTANCE TO EGYPT. WE ARE PLANNING TO MAKE MAJOR BUDGET REQUEST FOR EGYPT FROM CONGRESS IN FY 1975. INCLUDED IN THIS WOULD BE ALLOCATIONS THAT WOULD ENABLE US TO PARTICIPATE IN RECONSTRUCTION WORK IN SUEZ CANAL AREA. WE ARE ALSO HOPEFUL THAT, DEPENDING ON THE CROP POSITION THAT EMERGES THIS SUMMER AND FALL, WE WILL

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NO DISSEMINATION



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ALSO BE ABLE TO CONSIDER FURTHER PL-480 TITLE I ASSISTANCE IN FY 1975 FOR WHEAT, CORN AND VEGETABLE OIL. SECRETARY WILL WANT TO TALK FURTHER WITH FAHMY ABOUT THIS WHEN HE NEXT SEES FAHMY.

G) BY SEPTTEL, YOU WILL ALSO BE INFORMED OF LATEST RESULTS OF OUR EFFORTS TO ASSIST EGYPT IN LOCATING SUPPLIES OF FERTILIZER. THE COMMITMENT WE GOT FOR EGYPT TOOK A MAJOR EFFORT.

6. ONE FINAL WORD WE WOULD WISH TO LEAVE WITH FAHMY. WE ATTACH UTMOST IMPORTANCE TO POLITICAL CONSIDERATIONS HE HAS MENTIONED IN SECOND REFTTEL, BUT THESE COERATIONS MUST BE DEALT WITH IN CONTEXT OF ECONOMIC REALITIES. IN OUR GOVERNMENT, CONGRESS CONTROLS THE PURSE STRINGS. THERE IS NO LONGER AUTOMATIC MAJORITY IN CONGRESS FOR PRINCIPLE OF FOREIGN AID. FOREIGN ASSISTANCE -- NO MATTER WHO THE RECIPIENT -- IS WEIGHED AGAINST URGENT DOMESTIC NEEDS. EGYPT FACES ADDITIONAL PROBLEM BECAUSE OF ATMOSPHERE OF NEGATIVISM THAT HAS LONG PREVAILED IN CONGRESS WITH RESPECT TO ECONOMIC ASSISTANCE TO THAT COUNTRY. PRESIDENT SADAT'S POLICIES HAVE ALREADY DONE MUCH TO ERASE THIS, BUT MORE CONSTITUENCY-BUILDING IS NEEDED, AND THIS WILL TAKE TIME. WE WANT FAHMY TO UNDERSTAND THAT WHAT CAN BE DONE FOR EGYPT MUST BE DONE WITH DUE REGARD TO COMPLICATED AND SOMETIMES TIME-CONSUMING BUDGETARY PROCEDURES WHICH CONSTITUTE ESSENTIAL PROCESS BY WHICH EXECUTIVE BRANCH RECEIVES MONEY FROM CONGRESS UNDER OUR SYSTEM OF GOVERNMENT.

7. ALL OF THE ABOVE REPRESENTS A VERY MAJOR EFFORT INDEED AND I HOPE THAT YOU CAN PUT IT ALL IN THE VERY POSITIVE LIGHT THAT IT DESERVES. AS A MATTER OF POLICY, WE ARE GOING TO DO EVERYTHING POSSIBLE BUT AS WE MOVE INTO THE NEW RELATIONSHIP, THIS WILL REQUIRE ESTABLISHING A CAREFUL BASIS ON THE HILL IN AN ENVIRONMENT OF SHRINKING RESOURCES, SHRINKING MONEY AND KEEN COMPETITION FROM OTHER COUNTRIES. THE POINT TO GET ACROSS IS THAT AS A MATTER OF POLICY, EGYPT WILL RECEIVE VERY HIGH PRIORITY AND MAJOR EFFORTS WILL BE MADE IN OUR MUTUAL INTERESTS. RUSH

NEA/EGY: MSTERNER: CEK

4/2/74: EXT: 22365

P - MR SISCO

AID - MR WHITE

NEA - MR ATHERTON

S/S - DMILLER

AID - MR PARKER

AGRICULTURE - MR BELL (SUBS)

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No Objection To Declassification in Full 2012/02/13 : LOC-HAK-128-4-2-3



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